

## **The complaint**

Mr Y, who is represented, complains that Bank of Scotland plc, trading as Halifax, didn't reimburse him money he says he lost after he was a victim of fraud.

## **What happened**

As the circumstances of this complaint are well-known to both parties, I have summarised them briefly below.

Between 2014 and 2024, Mr Y was asked by an acquaintance of his if he'd be able to lend him some money in support of a business venture. Mr Y agreed and began sending the third-party multiple payments, some of which were from his account held with Halifax.

Mr Y's acquaintance would continually send Mr Y updates via email and consistently asked for more and more money as time went on for varying reasons. He also claimed that he was in the process of selling his mother's house and would repay the debt once this had completed. However, Mr Y never saw any of the money returned. And after contact ceased, Mr Y believed he'd been the victim of a fraud and reported the matter to Halifax.

Halifax investigated Mr Y's concerns, but it found it more likely Mr Y hadn't been the victim of fraud. It felt the matter was a civil dispute between Mr Y and the third-party and therefore didn't accept any liability for the loss incurred.

Mr Y didn't agree, so he referred his complaint to our service for an independent review. An Investigator considered the complaint, but didn't recommend Halifax provide a refund. In summary, while they did feel Mr Y had been the victim of fraud here, they didn't find any intervention by Halifax to be warranted. They also felt Mr Y ought to have done more to satisfy himself that the purported business venture was a legitimate one.

Mr Y, via his representative, disagreed with the Investigator's findings, so the matter was passed to me for a decision to be made.

On 7 May 2025 I issued my provisional findings to both parties and gave them until 20 May 2025 to provide and further evidence for consideration. My provisional assessment was as follows:

### ***"Relevant considerations***

*In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.*

*As Mr Y's payments were made before and after 28 May 2019, I have made reference to the differing considerations below.*

*Prior to its agreement to adhere to the principles of the Contingent Reimbursement Model (the CRM Code) from 28 May 2019, Halifax ought reasonably to have been on the lookout*

*for suspicious payments from Mr Y's account that might indicate he was at risk of financial harm, such as fraud. And where it ought to have intervened in a specific payment—and that invention likely would have prevented the loss—it would be liable, either fully or partially, to reimburse Mr Y his loss.*

*However, this liability only exists where I can be satisfied Mr Y has been the victim of fraud. Private civil disputes—such as loans to third parties that aren't repaid—are not required to be reimbursed.*

*Likewise, from 28 May 2019, Halifax was required to reimburse a customer's loss where they'd made certain payments from their account as a result of fraud. It can however refuse to reimburse where it can demonstrate an exception under those principles has been met. However, the CRM Code's scope goes on to say that it doesn't cover:*

*"...private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier".*

*Therefore, in both payments before and after the 28 May 2019, I must be satisfied Mr Y was the victim of fraud before going on to consider if Halifax ought to have done more here.*

*Was Mr Y likely a victim of fraud?*

*Having considered the evidence associated with this complaint carefully, I'm not currently persuaded that Mr Y has been the victim of fraud.*

*The circumstances surrounding the inception of this agreement are unclear. I acknowledge that due to the time that has passed since Mr Y's initial dealings with the third-party, his memory of the events, and evidence available to rely upon, aren't as strong.*

*What I do know from the information available is that both parties were personally known to one another, as they'd worked together in the past. And from the testimony Mr Y's representative has provided us, it would appear the agreement began with the third-party asking Mr Y for a loan so that he could embark on a business venture. It is still unclear what this business venture was or what each of the payments Mr Y made to the third-party were required for. I have seen no contractual agreements—formal or informal—or correspondence between both parties setting out what the arrangement was.*

*Importantly however, Mr Y hasn't been able to provide evidence in support of any false representations made by the third-party. While Mr Y didn't receive any repayments of the money he'd loaned—despite reassurances from the third-party that they would come good of their business venture—this isn't sufficient to support a dishonest intent; it's equally possible that the third-party intended on repaying Mr Y from the outset but wasn't able to.*

*In essence, I'm not persuaded from the evidence available that a fraud has been committed or even attempted here.*

*I have given Mr Y's representative an opportunity, prior to writing these findings, to provide more information to assist me in understanding the events that unfolded. This included an opportunity to analyse the thousands of emails Mr Y has in his possession between him and the third-party. But no further evidence has been submitted.*

*Mr Y's representative has pointed out in submissions that the third-party was dishonest with Mr Y when he informed him that he was selling his mother's house and would repay him once the sale had gone through. Mr Y later discovered that the house had in fact been*

*repossessed and the third-party had hid this fact.*

*Again, I'm not persuaded by this argument. This was merely an excuse as to why he couldn't repay the debt, he was not making false representations to extract further money from Mr Y. In fact, Mr Y admits that further payments made after this were again loans, including for living costs and expenses.*

*I have also asked Mr Y, via his representative, if he'd reported this matter to the Police. He has confirmed that he'd not done so. I therefore cannot rely upon any findings law enforcement may have uncovered as to the third party's intentions.*

*Overall, I'm not persuaded that Mr Y has been the victim of fraud here. From the evidence available, I find it likely he provided the funds to the third-party as a personal loan and they were then not repaid. I therefore don't find it reasonable that Halifax be expected to reimburse Mr Y his loss.*

#### *Additional observations*

*Even were I to concede that Mr Y has likely been victim of fraud here, I concur with the Investigator's conclusions that this wouldn't result in Mr Y being reimbursed for his loss.*

*As I have already highlighted above, prior to CRM Code's introduction, banks ought reasonably to be on the lookout for transactions that could indicate a risk of fraud to its customer.*

*Here, that risk wouldn't have been so apparent – as Mr Y was paying accounts he'd paid on many occasions over a significant period of time. These therefore became trusted and regularly paid accounts that were associated with his account.*

*But even had Halifax intervened in any of the payments subject to this dispute, it's unlikely that intervention would have dissuaded Mr Y from continuing with those payments. Mr Y likely would have told Halifax that he was providing a loan to a friend and that he knew that friend on a personal basis over a significant period of time. He'd also loaned money to this friend on previous occasions and had his money repaid to him.*

*I find it unlikely Halifax would have been concerned when presented with these facts, and it isn't for the bank to advise Mr Y on who he loans money to and under what basis. Likewise, had Halifax displayed an on-screen warning to Mr Y, alerting him to the common features of fraud, these likely wouldn't have been impactful. Mr Y's circumstances weren't typical and didn't feature common indicators of fraud. So any warning setting these out wouldn't have resonated with his situation.*

*For payments covered by the CRM Code made from 28 May 2019, Halifax can rely upon a number of exceptions within the Code to not reimburse Mr Y his loss. The relevant exception here is that:*

*"In all the circumstances at the time of the payment, in particular the characteristics of the Customer and the complexity and sophistication of the APP scam, the Customer made the payment without a reasonable basis for believing that: the payment was for genuine goods or services"*

*Having considered the limited information available to me regarding the business venture Mr Y thought he was loaning the third-party money for; I'm not persuaded Mr Y did have a reasonable basis for believing that he was loaning money for a genuine venture. Mr Y doesn't appear to fully understand what his money was being used for. And looking at the*

*limited messages between Mr Y and the third-party, it isn't clear that this was being explained fully when requests were being made for further loans.*

*I can understand why Mr Y might not thought this relevant, as by his own admission he was merely loaning money to the third-party rather than paying for a direct investment in venture. And this is predominantly the reason why I have deemed this to be a civil dispute rather than a fraud. But if Mr Y did believe he was paying the money into an investment, I don't find he had a reasonable basis for believing it was a genuine one.*

*The CRM Code also places a standard on firms which sets out, in summary, an expectation to identify high risk payments and deliver proportionate, effective warnings where appropriate. However, the Code says that "The assessment of whether a Firm has met a standard or not should involve consideration of whether compliance with that standard would have had a material effect on preventing the APP scam that took place."*

*I have already set out why I believe any intervention, effective or otherwise, likely wouldn't have had a material effect on preventing Mr Y from proceeding with the payments. So I don't intend on repeating that again here.*

*While I want to make it clear that I remain of the opinion that this is a civil dispute, even when considering the case were it to be treated as a fraud, I'm not persuaded Halifax ought to have reimbursed Mr Y his loss here. I realise that will come as a disappointment to Mr Y who has clearly already been through a difficult time personally. But it wouldn't be fair for me to direct Halifax to reimburse him his loss where it hasn't acted in error."*

Halifax said it had nothing to add. But Mr Y's representative provided further comment. In summary this was:

- The fraudster took advantage of Mr Y's declining mental health by verbally harassing, manipulating and pressuring him to make further payments; despite not disclosing the real reason those funds were needed.
- Mr Y is now no longer sure he was even speaking with the friend he'd known personally.

As both parties have now responded to my provisional assessment, I am in a position to issue my final decision.

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I don't intend to depart from the findings set out in my provisional assessment of Mr Y's complaint.

I understand Mr Y's strength of feeling on this matter and am truly sorry for the upset and worry this matter has caused him, but none of the additional points made by Mr Y's representative offers any persuasive reason to reconsider my initial assessment. However, I will reiterate some of the findings I have made for completeness.

While Mr Y may have felt pressured into making further payments to the third party, my findings remain that he was likely providing them as a personal loan. That is, he was giving the third-party money with the expectation that it be repaid in the future. By Mr Y's own admission, he did not know what he was specifically providing the money for, and was likely comfortable doing so as he'd loaned them money before without issue. But a non-payment

of this loan's liability cannot reasonably be passed on to Halifax, regardless of what it was spent on or the conditions on which it was provided.

Mr Y's representative has asked that further time be provided to sift through the thousands of emails going back and forth between the third-party and Mr Y, but they have already been given sufficient time to do this. Mr Y's complaint was referred to our service in January 2024. His representative has been asked on several occasions to provide evidence of the fraud since, including by me in early April 2025 where I pointed out there was no evidence to support a fraud had occurred. They have also had two weeks from the date of issuing my provisional findings, sent on 7 May 2025, to provide any further evidence, but have only sent a few emails that again do not support any intention to defraud.

Mr Y has also on several occasions disclosed that he was unaware of any of the specifics around what the third-party was doing with the money he was loaning to him. So I find it unlikely that any further investigation into those emails would be of assistance. However, should any material new information come to light in the future that might support an intention to defraud occurred here, Mr Y has the option of presenting this to Halifax for further consideration.

Mr Y's representative has also pointed out in its further submissions that Mr Y is now unsure if he was even talking to the legitimate person he'd known for some time – but has not provided any evidence in support of this claim. I therefore have no reason to believe an impersonation has taken place here.

### **My final decision**

For the reasons I have given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 20 June 2025.

Stephen Westlake  
**Ombudsman**